

City of Midland, Michigan

Required Supplemental Information Note to Required Supplementary Information Year Ended June 30, 2004

Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, Special Revenue Funds, and Debt Service Funds. All annual appropriations lapse at the end of the fiscal year.

On or before the second Monday in April, the City Manager presents the proposed budget to the City Council for review. The City holds public hearings and a final budget must be prepared and adopted no later than the fourth Monday in May.

The City Council approves the annual budget, which is prepared at the functional level.

Encumbrance accounting is employed in governmental funds. Encumbrances (purchase orders, contracts, and other commitments for the expenditure of monies) outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

The City did not approve budgets for the General Construction Fund and the Cemetery Fund. Accordingly, no budget comparison schedules are provided for.

The City did not approve budgets for the Major Street Construction Fund and the Local Street Construction Fund. For the government-wide and fund financial statements, these two funds have been combined with the Major Street Fund and Local Street Fund, respectively. For the budgetary comparison schedules, the activity relating to these construction funds is shown in the reconciliation at the bottom of the budgetary comparison schedule for the Major Street Fund and Local Street Fund.

Excess of Expenditures Over Appropriations in Budgeted Funds - The City of Midland incurred expenditures that were in excess of amounts budgeted. These unfavorable variances were caused by unanticipated expenditures that became necessary during the year. The significant budget overruns follow:

- General Fund - Public safety budget overrun of \$46,240 due to greater than anticipated personnel costs associated with police patrol
- General Fund - Public works budget overrun of \$51,690 due to greater than anticipated personnel costs relating to public works activities

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Required Supplemental Information Note to Required Supplementary Information (Continued) Year Ended June 30, 2004

- Local Street Fund - Stormwater activities credit budget overrun of \$67,441 relates to the allocation of expenditures which are transferred out to other funds. This budget overrun is specifically a function of the favorable budget variance in the roadside drainage expenditures.
- Community Development Block Grant Fund - Budget overruns are the result of various housing rehab and the public services projects and programs budgeted in 2003 but not completed and reimbursed until 2004.